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Dianne Wampler 02/02/2007 07:42:05 PM From DB/Inbox: Dianne Wampler

Cable
Text:

UNCLAS SENSITIVE ANKARA 00220

SIPDIS
CX:

ACTION: ECON
INFO: PA RAO FAS MGT PMA FCS POL DCM AMB CONS

DISSEMINATION: ECON /1
CHARGE: PROG

APPROVED: ECON:TGOLDBERGER
DRAFTED: ECON:TGOLDBERGER
CLEARED: NONE

VZCZCAYI744
RR RUEHC RUEHIT RUEHTV RUEHJM RUEHDA RUEHEG
DE RUEHAK #0220 0330616
ZNR UUUUU ZZH
R 020616Z FEB 07
FM AMEMBASSY ANKARA
TO RUEHC/SECSTATE WASHDC 0811
INFO RUEHIT/AMCONSUL ISTANBUL 2043
RUEHTV/AMEMBASSY TEL AVIV 0120
RUEHJM/AMCONSUL JERUSALEM 0287
RUEHDA/AMCONSUL ADANA 1611
RUEHEG/AMEMBASSY CAIRO 0365

UNCLAS ANKARA 000220

SIPDIS

SENSITIVE

USTR FOR NED SAUMS AND LISA ERRION
EB FOR DAS MOORE

E.O. 12958: N/A
TAGS: [ETRD](#) [EAID](#) [PREL](#) [TU](#)
SUBJECT: TURKISH BUSINESS ECOURAGED ON GAZA PROJECT

REF: A) 2006 JERUSALEM 495, B) 2006 ANKARA 264

SENSITIVE BUT UNCLASSIFIED.

1. (SBU) Summary. Turkish business officials say they had productive meetings in Israel in mid-January about their proposed development of the Erez Industrial Zone in Gaza. Israeli officials said they would start work on special tax and security arrangements for the zone, with the MOD taking the lead working with other GOI agencies. Palestinians are supportive in principle but have yet to approve a concession agreement or identify potential investors. During February 8-9 U.S.-Turkey economic meetings, Turkish business officials will propose that the U.S. support the initiative by providing special trade treatment for goods produced in Erez with Turkish content. End Summary.

2. (SBU) Guven Sak, who is overseeing the Turkish business federation TOBB's efforts to revitalize the Erez Industrial Zone in Gaza, said his mid-January visit to Tel Aviv with TOBB Chairman Rifat Hisarciklioglu was very productive. Hisarciklioglu went to Israel for the third meeting of the "Ankara Forum" of Turkish, Israeli and Palestinian chambers of industry. In addition to the Forum meetings, he met DPM Peres and President Abbas, both of whom reiterated their support for the project.

MOD to Coordinate Tax and Security Arrangement

3. (SBU) Sak stayed on for meetings with the Ministry of Defense about security and tax arrangements for the zone and also met Lt. General Dayton regarding security arrangements. He said the

meetings at MOD included Deputy Minister Ephraim Sneh as well as Customs, Finance Ministry, and border authority officials. (Only the IDF was not there, he said.) They agreed that MOD would coordinate preparation of an MOU that covers arrangements for entry and exit from the zone of workers and trucks and for expedited reimbursement of tax payments collected by Israel. He also appreciated what he said was General Dayton's willingness to help implement security provided by Palestinian Presidential Guards once an MOU is concluded. (He was also very thankful for ConGen Jerusalem's help with the meeting.)

MOD Agrees to Consider Damage Compensation

14. (SBU) Another positive sign was Israeli officials' willingness to consider TOBB's request for compensation for damage done in the zone by the Israeli military in July (and subsequent looting by Palestinians), as well as for the additional cost of special security requirements created by Israel. He said he was joined in his MOD meetings by Palestinian advisors, including former Industry Minister Mazen Sinokrot. However, he acknowledged that the PA had not yet approved the concession agreement with TOBB.

Looking for Asian and U.S. Investment

15. (SBU) During our February 1 meeting, Sak thought that he would be able to begin signing up investors once the tax and security arrangements are approved. He was pessimistic about finding Palestinian businesspeople ready to invest, describing the disorganization and lack of focus he found at the Palestinian Investment Fund (PIF). He will focus first on potential Asian investors, pitching the potential of the zone as a regional export platform in planned trips to Japan and China. He would then approach U.S. investors, including investor groups like the "Chicago Ten" with which he has made contact.

Request for U.S. Support

16. (SBU) Finally, Sak said that he and Hisarciklioglu would use February 8 business meetings of the U.S.-Turkey Economic Partnership Commission to describe the project as an example of Turkey's potential to contribute to economic growth and job creation in the region. The U.S. could help, he said, by giving special treatment to exports to the U.S. of products made in Erez with Turkish input. He will propose that Turkish value-added count toward the 35% local content requirement for duty free entry under the U.S.-Israel FTA or the QIZ initiative. They will also describe other potential Turkish contributions to trade facilitation and economic integration in Central Asia, such as drawing on TOBB's experience in building and operating customs facilities on Turkey's borders.

WILSON